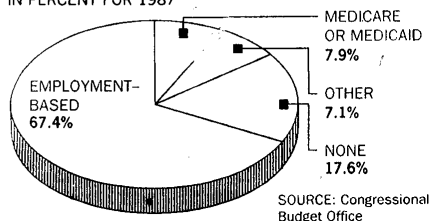


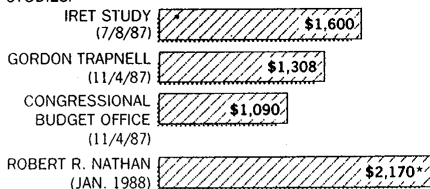
## TRENDS IN HEALTH INSURANCE FOR THE NONELDERLY

### SOURCES OF HEALTH INSURANCE FOR THE NONELDERLY IN PERCENT FOR 1987



### PREMIUM ESTIMATES FOR THE KENNEDY-WAXMAN BILL AVERAGE EMPLOYER CONTRIBUTIONS IN DOLLARS

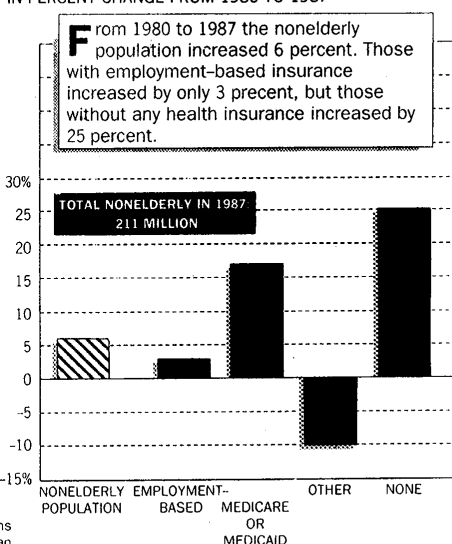
#### STUDIES:



\*\$2,170 represents total average premium cost. Employer contributions under Kennedy-Waxman bill (s.1265) would be 80% of this figure. Nathan study premium estimates are plus or minus 10%.

SOURCE: Institute for Research on the Economics of Taxation

### CHANGES IN THE NONELDERLY POPULATION AND THEIR SOURCES OF HEALTH INSURANCE IN PERCENT CHANGE FROM 1980 TO 1987



BY TOBEY—THE WASHINGTON POST

# Health Proposal's Unanswered Questions

## Would Dukakis's Plan for Mandatory Coverage Hurt Some Workers?

By Malcolm Gladwell  
Washington Post Staff Writer

The idea, according to Michael Dukakis, is to make sure that every job in America comes with health insurance.

Since his presidential campaign began, the Democratic candidate has pledged that if elected he will introduce legislation requiring employers to offer a minimum health-benefits package to all full-time and some part-time workers.

By some estimates, the plan could bring full health insurance benefits to some 23 million previously uninsured Americans, improve the benefits of another 28 million, and close some of the most serious gaps in the welfare safety net.

As an American I don't want my son to stand alone with South Africa as the only two industrialized nations that do not provide basic health security," Dukakis said earlier.

As for the country, while virtually everyone agrees that some action is necessary to provide care for the uninsured, the idea of establishing a federal mandatory fringe benefit for all workers is not without its critics.

When an almost identical plan was proposed by Richard Nixon in 1971, it went nowhere. And a set of proposals drafted by Sen. Edward Kennedy (D-Mass.), currently before the Congress, has evoked loud and vigorous opposition from the business

community and an often lukewarm response from some health-care economists.

At the root of the controversy over mandatory health care is a series of questions that, even after the idea's long history, remain essentially unanswered. How much will the expansion of health care cost employers? How will employers who didn't offer benefits previously respond to the new financial burden of providing health insurance? Will real

*"The alternative is to abandon these people. But we've got to look at some other options first."*

— Uwe Reinhardt

wages go down as employers pass on the costs of the program to their workers? How many jobs will be lost because employers' labor costs increase?

"This idea has one and only one attractive component, and this is [that] it gets insurance out to a large number of people," said Gail Wilensky, a health care economist in Washington. "But it isn't costless, and there is a problem if people

don't understand if there is a real price associated with this strategy."

Mandatory health insurance legislation would establish a health benefit package, which serves as a minimum health insurance standard for all employed Americans.

Under the Kennedy legislation before Congress—thought to be a model for Dukakis plan—the estimated cost for such a policy could be anywhere from \$1,800 and \$3,000 for family coverage and \$700 and \$1,200 for single coverage. Employers not currently offering health benefits would be required to pay 80 percent of that premium for all full-time workers, and part-time employees working more than 17.5 hours a week.

Even the plan's supporters admit that in some limited form such an arrangement has a less than ideal economic impact. Rather than spread the cost of insurance over the entire population, as with Medicare or Medicaid, it imposes costs directly on uninsured employees and their employers, regardless of ability to pay.

In defending their plan they argue that mandatory benefits would correct an inequity in the current insurance system, in which employers who do offer insurance, in effect, subsidize the health care of employees in companies that don't.

Still, there is no argument that  
See INSURANCE, C6, Col. 1

C6 THURSDAY, SEPTEMBER 29, 1988 ...

THE WASHINGTON

# Some Critics Say Dukakis Health Plan Could Be Costly for Employers, Workers

## INSURANCE, From C1

small business would bear the brunt of any mandatory scheme. While only 29 percent of American workers have no health insurance, fully 60 percent of workers in firms employing 25 workers or less would be affected.

Small businesses "tend to be on the cutting edge of the economy," Princeton University health economist Uwe Reinhardt told Congress in testimony on mandated benefits last year.

"They have provided the bulk of new jobs created during the most recent economic expansion. One must wonder whether it is wise to saddle this entrepreneurial element in the economy . . . with the fiscal burden inherent in mandated benefits," Reinhardt said.

Then there is the plan's effect on wages. According to some economists, the burden of the program could end up coming out of worker paychecks—and even jobs. For example, the monthly premium for family coverage charged under a mandated health plan in a metropolitan area might be \$200. The employer's share of that would be \$160. If an employee makes \$20,000 a year, mandated benefits mean an immediate 10 percent increase in labor costs.

How will employers cope with this? In congressional testimony last year on the Kennedy bill, the Congressional Budget Office's acting di-

rector, Edward Gramlich, guessed that they would respond "by limiting wage increases, by reducing fringe benefits of other types than health insurance, or by cutting the quantity of labor employed.

"The long-run effect," Gramlich said, "would be to lower wages by the amount of employers' required contributions."

Among the 6 million workers

*"The long-run effect would be to lower wages by the amount of employers' required contributions."*

— Edward Gramlich

earning the minimum wage, the impact of mandated benefits would be even more severe. While an employee making \$20,000 costs his boss an extra 10 percent under mandated health, a minimum wage employee costs his firm an extra 30 percent for a family plan. For part-time employees, the percentage cost to the employer is even higher.

Obviously employers paying the minimum wage cannot take the cost of the added benefits out of wages. But they can cut jobs.

How many? Here the debate over the Dukakis plan gets rather heated. The Congressional Budget Office's estimate for the Kennedy bill, for example, is that it will cost employers about \$27 billion in the first year. That translates into between 100,000 and 200,000 lost jobs—a level of unemployment has been considered acceptable by the Kennedy bill's current backers. If, however, final tab comes to \$40 billion a year—an estimate arrived at by a study prepared by the Robert R. Nathan Associates Inc. consulting firm in Washington—the program could cost as many as 300,000 jobs. At \$100 billion a year, the estimate arrived at by the Institute for Research on the Economics of Taxation, the toll is a million jobs.

Estimating the cost of the Dukakis proposal is made even more difficult by the fact that it is not clear exactly what benefits he proposes to mandate.

If, for example, the government were to require a minimum benefit package that is more generous than plans currently offered by employers, it would force thousands more employers to upgrade their health plans, incurring increased costs that could total in the billions. The effect on profits, and employment, is anyone's guess.

"I'm in favor of mandated benefit if it's the only game in town," said Reinhardt. "The alternative is to abandon these people. But we've got to look at some other options first."

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